Forest Act for investments in foreign lumber projects. Preference is given in purchasing of resources from foreign operations having Korean investment; this is encouraged through a system of tax and customs duty exemptions.

Foreign investment in Korea has been limited by government policy. As of June 1980, the total amount was just over $1 billion invested in 874 projects. Japan accounted for the bulk of investments with 52.9 per cent of the total, the U.S. provided another 21 per cent and European countries accounted for 23.8 per cent led by The Netherlands (8.9 per cent). In September 1980, the Korean government took steps to liberalize the policies on foreign investment. The major changes include a) permission for foreign investors to operate wholly owned subsidiaries in certain industries which were previously subject to the rule of 50/50 joint ventures, b) extension of the types of business eligible for foreign participation to include the services sector c) reduction of minimum foreign capital required per project from U.S.$500,000 to U.S.$100,000 d) abolition of all regulations regarding withdrawals of foreign invested funds which formerly required a minimum two-year period prior to repatriation e) more flexible application of regulations on land acquisition by foreigners and simplification of procedures to obtain permission f) establishment of a consultative centre in the Korean Chamber of Commerce and Industry to provide information, respond to queries and introduce suitable local partners to foreign investors. Details of foreign investment policy are governed by the Foreign Capital Inducement Act and applications are considered by the Foreign Capital Inducement Deliberation Committee for projects involving investment amounts exceeding U.S.$10 million and by the Foreign Investment Deliberation Committee for amounts up to U.S.$10 million.

Korea has traditionally used tariff and import licence restrictions to protect its domestic industries. Korea acceded to the General Agreement on Tariffs & Trade (GATT) in 1966, but to date only a limited percentage of tariffs are subject to GATT bindings (i.e. a tariff cannot be increased beyond the level agreed in GATT negotiations). On the remaining items, therefore, tariffs can be increased at any time. Import substitution is encouraged by high tariff rates in the consumer goods sector (50-60 per cent), particularly those in the luxury goods category (including alcohol) where tariffs range from 80-150 per cent. In general, where items are either produced in Korea or considered non-essential, tariffs range from 20-40 per cent; tariffs for other items are in the range of 0-15 per cent.

In addition, Korea operates a tariff quota system for some items, whereby a low rate is charged up to a certain quantitative limit above which further imports are subject to a higher